

April 4, 2011

SURFACE TRANSPORTATION BOARD

Docket No. EP 705

Competition in the Railroad Industry

Comments Submitted by
ROSEBURG FOREST PRODUCTS

229201

My name is Andrew E. Jeffers, I am Traffic Manager – Rail for Roseburg Forest Products Company. In my current position, I am in charge of all rail shipments. I am responsible for all outbound and inbound rail shipments averaging 15,000 railcars per year. My duties include freight rate negotiation, quoting freight rates and auditing rail freight bills and filing freight claims. I am also in charge of monitoring rail car loading procedures to ensure we are in compliance with AAR regulations. I also monitor transit times and all of Roseburg's outbound rail shipments. I provide liaison between the railroad's and Roseburg's customers as well as Roseburg's Sales people. I am also involved with various local switching issues involving our mills. Finally, I am responsible for monitoring inbound empty car supply. Roseburg Forest Products is a manufacturer of lumber, plywood, particleboard, and engineered wood products. We have twelve mills located in Southern Oregon; Northern California; Montana; Mississippi and South Carolina and we ship over 15,000 rail cars per year. I have been Traffic Manager with Roseburg for fifteen years. Prior to that, I worked for the Denver & Rio Grande Western Railroad and the Southern Pacific Railroad for 20 years. I started on the railroad in 1977 as an operating clerk. In 1979 I moved into the traffic department and worked as a Steno Clerk and a short time as a Tariff Compiler. In 1986, I became a Customer Service Representative for the D&RGW servicing primarily forest product accounts. After the SP/DRGW merger, I moved into Marketing and served as a Market Manager in both Lumber and Plywood.

I am writing today in regards to Competition in the Railroad Industry decision rendered by the STB on February 4, 2011.

Roseburg Forest Products is a significant manufacturer of plywood, particleboard, engineered wood, and lumber. We have 7 locations located on Central Oregon & Pacific and ship approximately 30 to 45 railcars per day from these facilities. We also operate a particleboard mill in Missoula, MT that is served by Montana Rail Link. On average, we ship 3-5 carloads per day from our Missoula mill. We also operate particleboard mills in Russellville, SC (CSXT); Louisville, MS (KCS) and Taylorsville, MS and from these mills we ship a combined 15-20 carloads per week. In addition we have a specialty panel plant in Oxford, MS on the MSCF and we ship 7-10 carload per week from there.. Roseburg employs approximately 3000 people and the majority of these people work in Oregon.

The Board is correct in reviewing this issue and holding a hearing. The competitive landscape has changed from when the Staggers Act was put into place. Roseburg would emphasize that many good things have also come out of deregulation and the Board needs to take these into consideration as well.

First and foremost, the Nations rail system is in the best condition that I've ever seen it in. The rail carriers are healthy and in a good financial position. Twenty years ago lines were being abandoned and rail services were being curtailed. Today carriers are re-investing in their existing plant and equipment and adding infrastructure. Shippers benefit from these actions.

Railroads are once again hiring and reaching out to young people across the Nation. They are attracting a professional pool of people that will ensure the future viability of the Nation's railroads. The jobs railroads offer are good, secure, family wage positions and give employees an opportunity for advancement.

Twenty years ago, Roseburg was predominately using 50 ft Plate C 70 ton boxcars to ship our products to market. This fleet was old and not in the best of condition. It was pretty common to see cars with holes in the roof or doors that weren't sealing up properly. Often the cars we receive would have dunnage or garbage inside and would have to be cleaned before loading. Since we didn't have an alternative, we often would try to patch holes or wrap doorways in plastic to protect our products. We would reject cars only as a last resort; in spite of this policy we would still reject about 6-8 cars per week as unfit for loading. Railroads were also reluctant to invest in new equipment.

Today, Roseburg is mostly using centerbeam flatcars and 60 ft Plate F 100 ton boxcars for shipping. The centerbeam flats have been around for a while but they were in pretty short supply. Centerbeams are easy to load and unload and do not require excessive dunnage for load securement. About 5 years ago, there was a massive build program on centerbeam flats. We now have a very consistent and reliable supply of these cars and have been put in a better position to ship our product via rail. The demand for these cars was mis-judged and the fleet was over built. However, this has allowed the railroads to pool these cars in strategic locations and have cars ready to load when demand surges.

Several years ago, the railroad acquired a few 60 ft Plate F 100 ton boxcars. These cars are a great alternative to the 50 ft boxes and have been very popular with our Customers. The railroads have long talked about the dilemma they are facing on boxcars. They admit the fleet is old and cars continually fall out of service. They cannot get enough turns on the equipment to make it as profitable as other types of equipment and therefore cannot justify the expenditure to build more. However, the railroads have announced that they've started to build more of the 60 ft boxes and apparently have been able to find ways to make this equipment more profitable and thereby justify the expenditure.

Other changes in the past 20 years have not been as positive and I would like to elaborate on those. Roseburg only recently acquired the mills in MS and SC so I cannot really speak to how things were 20 years ago versus today. At that time, Roseburg's mill holding were limited to Oregon and California so my analysis will focus there.

Twenty years ago, Roseburg had a very diverse customer base. Our shipments were pretty evenly divided across the Nation. Thirty percent of our shipments would go to the Northeast; thirty percent to Texas; thirty percent to California and Arizona and about 10% to the Midwest. By spreading across a wide region we were in a better position to level out our production, minimize our overhead costs and better insulate ourselves from cyclical market demand. Day in and day out, we were shipping about the same number of railcars from our plants. Today, our distribution pattern looks much different. We still have a presence in the Northeast and Texas but it isn't the size it used to be. Higher freight rates and lack of competitive rail alternatives have forced us to focus on markets closer in like the Pacific Northwest, California and Arizona. The volume of railcar shipments from our mills in the Pacific Northwest have declined.

In the Pacific Northwest, Roseburg mills have always been exclusively served by one rail carrier. Twenty years ago, it didn't feel like your choices were as limited as they are today. Oregon was served by 3 rail carriers, the Southern Pacific, Union Pacific and Burlington Northern. If you were selling to a customer in the West that was served by a different carrier than you, there were choices available. First, many carriers participated with each other and established joint line routes that were at or a little above a carriers single line route. Second, carriers maintained Rule 11 rates via interchanges close to destination stations if there were no joint line routes available. The resulting rates would be higher than a single line rate but not to the point where the move would be uncompetitive. Third, every carrier maintained transloads in Oregon and shippers could truck, reload and ship via another carrier.

The choices today are not the same. There are very few joint line routes available and those that remain are significantly higher than the single line routes. The Rule 11 interchange rates have been largely cancelled as well. Carriers are opting for longer hauls and no longer interested in this type of business. The Rule 11 rates offered today are very high and usually render rail shipments non-competitive.

In partial reaction to this, Roseburg purchased property served by BNSF so we could maintain some the Customers we've been selling to for many years.

Carriers in the West would also use transloads to compete with one another on bridge traffic (e.g. shipments to destinations East of the Mississippi River). If the carrier that serviced you could not offer competitive rates via a certain lane, one of the other carriers most certainly could. Some customers would prefer using one carrier over another and you could offer that alternative.

Today there doesn't seem to be the same level of competition between the carriers there used to be. Each carrier seems content with the business they have and doesn't appear to be interested in what the other is doing.

Another thing Roseburg has noticed is that carriers are not as interested in shorter mileage hauls. Looking back, a sizeable percentage of our business to California was moving via rail. Most of the truck hauls from Southern Oregon to California are between 300 and 800 miles; yet the SP considered this to be one of their most important markets and went to great lengths to ensure the rates were competitive with truck. Today, trucks have gained an ever increasing share of Roseburg's business; UP has not been interested in regaining some of the lost business.

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If you look at our business to the Northeast you would see similar patterns with the Eastern carriers as I've shown with the carriers in the West. Twenty years ago, you had more options to serve a given Customer. The carriers in the East would compete with one another and this would help you remain competitive in the marketplace. Today, your choices are more limited; carriers are not as willing to contract for business; and tariff rates are about your only option.

Finally Roseburg does want to emphasize that the Nation's rail system today is not completely broken. We do not want to see a return to full regulation and do not feel such a move would be in anyone's best interest. We do feel some things need to be done to incent more competition between the rail carriers and not be detrimental to the positive things that are occurring in the Industry.

Roseburg Forest Products thanks the Board for allowing us to present our views.

Respectfully submitted,

Roseburg Forest Products
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By Its Traffic Manager – Rail

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Other Submissions

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